

WESTWOOD HEIGHTS SCHOOL DISTRICT

FLINT, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2004

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Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

September 15, 2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Westwood Heights School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Westwood Heights School District, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Westwood Heights School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Westwood Heights School District as of June 30, 2004, and the respective changes in financial position, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated September 15, 2004 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the School District has implemented a new financial reporting model, as required by the provisions of the *GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information on pages II - VIII and 17 - 18 are not required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Westwood Heights School District's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

WESTWOOD HEIGHTS SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Westwood Heights Schools, a K-12 school District located in Genesee County, Michigan, is in its first year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Westwood Heights Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2004.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

WESTWOOD HEIGHTS SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

District Wide Financial Statements: (Continued)

These two statements report the Westwood Heights Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal year ended June 30, 2004:

NET ASSETS SUMMARY

	<u>2004</u>
<u>ASSETS</u>	
Current Assets	\$5,523,879
Non-Current Assets	<u>2,949,368</u>
<u>TOTAL ASSETS</u>	<u><u>\$8,473,247</u></u>
<u>LIABILITIES</u>	
Current Liabilities	\$2,960,310
Long-Term Liabilities	<u>288,242</u>
Total Liabilities	\$3,248,552
<u>NET ASSETS</u>	
Invested in Capital Assets - Net of Related Debt	2,693,198
Restricted - Capital Projects	826,100
Unrestricted	<u>1,705,397</u>
Total Net Assets	<u><u>\$5,224,695</u></u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$8,473,247</u></u>

WESTWOOD HEIGHTS SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

RESULTS OF OPERATIONS:

For the fiscal year ended June 30, 2004, the District wide results of operations were:

	<u>2004</u>
<u>REVENUES</u>	
<u>General Revenues:</u>	
Property Taxes Levied for General Operations	\$1,626,042
Property Taxes Levied for Capital Projects	453,047
State of Michigan Unrestricted Foundation Aid	6,735,553
Other General Revenues	<u>72,911</u>
Total General Revenues	\$8,887,553
<u>Operating Grants:</u>	
Federal	1,534,435
State of Michigan	1,035,747
Other Operating Grants	<u>188,022</u>
Total Operating Grants	\$2,758,204
<u>Charges for Services:</u>	
Food Service	159,011
Athletics	46,044
Other Charges for Services	<u>115,385</u>
Total Charges for Services	<u>\$320,440</u>
Total Revenues	\$11,966,197
<u>EXPENSES</u>	
Instruction & Instructional Support	6,191,157
Support Services	3,802,201
Community Services	89,710
Food Service	554,637
Athletics	171,805
Depreciation	<u>132,810</u>
Total Expenses	<u>\$10,942,320</u>
<u>INCREASE IN NET ASSETS</u>	\$1,023,877
<u>BEGINNING NET ASSETS</u>	<u>4,200,818</u>
<u>ENDING NET ASSETS</u>	<u><u>\$5,224,695</u></u>

WESTWOOD HEIGHTS SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2004, the District's Total Net Assets increased by \$1,023,877 to a total of \$5,224,695. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) decreased by \$46,621 during the year due to depreciation and principal payments on related debt exceeding the purchase of new capital assets. The districts Unrestricted Net Assets increased by \$833,923 during the year and the restricted portion of the net assets increased by \$236,575. The restricted Net Assets consist of the Investment in Capital Assets-net of related debt and the restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students. The significant changes in unrestricted net assets was the general fund revenues exceeding expenditures.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund increased by \$833,926 during the year with the increase coming primarily in cash. Revenues for the year decreased by \$306,261 primarily from reduced federal revenue. Expenditures and other financing uses decreased by \$466,676, primarily from reductions in purchased services and capital outlay. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)
The State of Michigan aid, unrestricted, is determined with the following variables:
 - a. State of Michigan State Aid Act per student foundation allowance
 - b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count
 - c. The District's non-homestead tax levy.
2. Per Student, Foundation Allowance:
Annually, the State of Michigan establishes the per student foundation allowance. The Westwood Heights Schools foundation allowance was \$6,784 per student for the 2003-2004 school year, the same as the prior year. The foundation allowance was decreased by \$74 per student from \$6,784 to \$6,710 as the result of an executive order by the governor.
3. Student Enrollment:
The District's student enrollment for the fall count of 2003-2004 was 1,281 students. An increase of 1 student from the prior year.

WESTWOOD HEIGHTS SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.2963 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2003-2004 fiscal year was \$1,626,042. An increase of \$67,271 from the prior year.

Capital Projects Fund

The districts capital projects fund balance increased by \$236,574. Property taxes levied are the primary source of revenue in the fund and they increased by \$15,364 from the previous year. Expenditures which are restricted for construction projects decreased by \$75,623 from the prior year.

Property Taxes Levied For Capital Projects

The District's capital projects fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2003-2004, the District's capital projects fund millage levy was 3.0813 mills that generated revenue of \$453,047.

Special Revenue Funds

The districts special revenue funds provide food service and athletic opportunities to students. During the year the fund balances increased by \$53,686, all in food service. The increase was approximately the same as the prior year, as were revenues and expenses

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenue	\$11,146,546	\$10,666,589	\$10,861,712	(0.04)	1.83
Expenditures	11,097,627	10,200,593	10,027,786	(0.08)	1.69
<u>TOTAL</u>	<u>\$48,919</u>	<u>\$465,996</u>	<u>\$833,926</u>		

WESTWOOD HEIGHTS SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

1999 CAPITAL PROJECTS FUND BUDGETARY HIGHLIGHTS:

1999 CAPITAL PROJECTS FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenue	\$369,933	\$369,933	\$314,117	0.00	(15.09)
Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	0.00	0.00
<u>TOTAL</u>	<u>\$369,933</u>	<u>\$369,933</u>	<u>\$314,117</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Westwood Heights Schools amends its budget during the school year. The June, 2004 budget amendment was the final budget for the fiscal year. Significant variations between the original and final budget.

Original Budget vs. Final Budget

Our initial budget was based during the prior years actual results and was reduced during the year as students counts, and formulas and grant awards were finalized.

Actual Results vs. Final Budget

Actual revenues were greater than the final budget due to final state aid being greater than budgeted and federal revenue recognized being less. Expenditures were less primarily in budgeted purchased services not being expended.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-03	Increases 6-30-04	Principal Payments 6-30-04	Principal Balance 6-30-04
Bonds Payable	\$138,470	\$0	\$0	\$138,470
Bus Note & Contracts Payable	196,215	0	78,515	117,700
Sick Days Payable	16,042	53,688	0	69,730
<u>Total Long-Term Bond Obligations</u>	<u>\$350,727</u>	<u>\$53,688</u>	<u>\$78,515</u>	<u>\$325,900</u>

WESTWOOD HEIGHTS SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION: (Continued)

B. Capital Assets

The district's net investment in capital assets decreased by \$125,137 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
Capital Assets	\$11,710,794	\$164,366	\$0	\$11,875,160
Less: Accumulated Depreciation	(8,636,289)	(289,503)	0	(8,925,792)
<u>Net Investment Capital Outlay</u>	<u>\$3,074,505</u>	<u>(\$125,137)</u>	<u>\$0</u>	<u>\$2,949,368</u>

Significant transactions were roofing repairs and the purchase of a fire alarm system.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Westwood Heights Schools.

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$3,835,024
Accounts Receivable	63,320
Due from Other Governmental Units	1,610,050
Inventory	<u>15,485</u>
Total Current Assets	\$5,523,879
<u>NON-CURRENT ASSETS</u>	
Capital Assets	11,875,160
Less: Accumulated Depreciation	<u>(8,925,792)</u>
Total Noncurrent Assets	<u>\$2,949,368</u>
<u>TOTAL ASSETS</u>	\$8,473,247
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	97,429
State Aid Anticipation Note Payable	2,110,000
Accrued Expenses	198,853
Salaries Payable	516,370
Current Portion of Long-Term Obligations	<u>37,658</u>
Total Current Liabilities	\$2,960,310
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>288,242</u>
<u>TOTAL LIABILITIES</u>	\$3,248,552
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	2,693,198
Restricted for:	
Capital Projects	826,100
Unrestricted	<u>1,705,397</u>
<u>TOTAL NET ASSETS</u>	<u>\$5,224,695</u>

See accompanying notes to the basic financial statements.

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
STATEMENT OF ACTIVITIES
JUNE 30, 2004

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$6,191,157	\$0	\$2,132,655	(\$4,058,502)
Support Services	3,802,201	115,385	159,365	(3,527,451)
Community Services	89,710	0	50,331	(39,379)
Food Service	554,637	159,011	415,853	20,227
Athletics	171,805	46,044	0	(125,761)
Depreciation - Unallocated	132,810	0	0	(132,810)
<u>TOTALS</u>	<u>\$10,942,320</u>	<u>\$320,440</u>	<u>\$2,758,204</u>	<u>(\$7,863,676)</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	2,079,089
State Aid	6,735,553
Investment Earnings	15,000
Miscellaneous	57,911
Total General Revenues and Transfers	<u>\$8,887,553</u>
Change in Net Assets	<u>\$1,023,877</u>

Net Assets - Beginning - As Restated	<u>4,200,818</u>
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<u>Net Assets - Ending</u>	<u>\$5,224,695</u>
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WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Fund	1999 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$2,926,621	\$576,275	\$332,128	\$3,835,024
Accounts Receivable	59,882	0	3,438	63,320
Due From Other Funds	0	107,776	196,266	304,042
Due From Other Governmental Units	1,600,780	0	9,270	1,610,050
Inventory	0	0	15,485	15,485
<u>TOTAL ASSETS</u>	<u>\$4,587,283</u>	<u>\$684,051</u>	<u>\$556,587</u>	<u>\$5,827,921</u>
<u>LIABILITIES</u>				
Accounts Payable	\$95,216	\$0	\$2,213	\$97,429
State Aid Anticipation Note Payable	2,110,000	0	0	2,110,000
Due to Other Funds	304,042	0	0	304,042
Accrued Expenses	198,853	0	0	198,853
Salaries Payable	516,370	0	0	516,370
Total Liabilities	\$3,224,481	\$0	\$2,213	\$3,226,694
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	0	0	15,485	15,485
Capital Projects	0	684,051	142,049	826,100
Unreserved:				
Undesignated, Reported In:				
General Fund	1,362,802	0	0	1,362,802
Special Revenue Fund	0	0	396,840	396,840
Total Fund Balances	<u>\$1,362,802</u>	<u>\$684,051</u>	<u>\$554,374</u>	<u>\$2,601,227</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$4,587,283</u>	<u>\$684,051</u>	<u>\$556,587</u>	<u>\$5,827,921</u>

See accompanying notes to the basic financial statements.

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total Governmental Fund Balances:		\$2,601,227
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$11,875,160 and the accumulated depreciation is \$8,925,792		2,949,368
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$138,470	
Notes Payable	117,700	
Sick Days Payable	69,730	
Total Long-Term Liabilities		<u>(325,900)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>\$5,224,695</u>

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	1999	Other	Total
	Fund	Capital	Governmental	Governmental
<u>REVENUES</u>		Projects Fund	Funds	Funds
Local Sources	\$1,901,411	\$314,117	\$374,515	\$2,590,043
State Sources	7,750,836	0	20,464	7,771,300
Federal Sources	1,139,046	0	395,389	1,534,435
Total Revenues	\$10,791,293	\$314,117	\$790,368	\$11,895,778
<u>EXPENDITURES</u>				
Current:				
Instruction	6,166,349	0	0	6,166,349
Student Services	538,652	0	0	538,652
Instructional Support	432,931	0	0	432,931
General Administration	291,625	0	0	291,625
School Administration	568,381	0	0	568,381
Business Administration	263,722	0	0	263,722
Operation & Maintenance of Plant	1,062,714	0	0	1,062,714
Transportation	366,984	0	0	366,984
Support Services - Other	60,780	0	0	60,780
Community Services	89,710	0	0	89,710
Food Service	0	0	707,814	707,814
Capital Projects	0	0	219,119	219,119
Total Expenditures	\$9,841,848	\$0	\$926,933	\$10,768,781
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$949,445	\$314,117	(\$136,565)	\$1,126,997
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from (to) Other Funds	(112,708)	0	112,708	0
Other Transfers	(2,811)	0	0	(2,811)
Total Other Financing Sources (Uses)	(\$115,519)	\$0	112,708	(2,811)
Net Change in Fund Balance	\$833,926	\$314,117	(\$23,857)	\$1,124,186
<u>FUND BALANCE - BEGINNING</u>	528,876	369,934	578,231	1,477,041
<u>FUND BALANCE - ENDING</u>	\$1,362,802	\$684,051	\$554,374	\$2,601,227

See accompanying notes to the basic financial statements.

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Total net change in fund balances - governmental funds	\$1,124,186
--	-------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(125,137)
--	-----------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	78,516
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Increase in accrued compensated absences	<u>(53,688)</u>
--	-----------------

<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$1,023,877</u>
--	--------------------

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$49,168</u>
<u>TOTAL ASSETS</u>	<u>\$49,168</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$49,168</u>
<u>TOTAL LIABILITIES</u>	<u>\$49,168</u>

See accompanying notes to the basic financial statements.

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Westwood Heights School District conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2004, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits - The Board of Education authorized the following financial institutions for the deposit of the District's funds for the year ended June 30, 2004: Citizens Commercial & Savings Bank.

Petty cash of \$480.00 is classified as cash and cash equivalents on the District's balance sheet.

The District's deposits are in accordance with statutory authority.

At June 30, 2004, the carrying amount of the School District's deposits was \$3,884,193 and the bank balance was \$4,241,735. \$100,000 of the bank balance was covered by federal depository insurance and \$4,141,735 was uninsured and uncollateralized.

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

4) DEPOSITS AND INVESTMENTS (Continued)

Investments - The School District's investments are required to be categorized to give an indication of the level of risk assumed by the District at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the School District's name.

The District had no investments at June 30, 2004.

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2004, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,392,561
Federal Grants	217,489
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 1,610,050</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2004 the School District had estimated claims payable of \$91,666 in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$2,110,000 at 1.03% per annum on August 20, 2003, from Bank One on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The balance as of June 30, 2004 was \$2,110,000. The note matures August 20, 2004.

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$7,094,633	\$156,000	\$0	\$7,250,633
Land Improvements	3,242,507	0	0	3,242,507
Equipment and Furniture	725,248	8,366	0	733,614
Vehicles	648,406	0	0	648,406
Totals at Historical Cost	\$11,710,794	\$164,366	\$0	\$11,875,160
Less: Accumulated Depreciation				
Buildings and Improvements	(4,788,783)	(131,895)	0	(4,920,678)
Land Improvements	(3,073,441)	(16,517)	0	(3,089,958)
Equipment and Furniture	(263,626)	(98,418)	0	(362,044)
Vehicles	(510,439)	(42,673)	0	(553,112)
Total Accumulated Depreciation	(\$8,636,289)	(\$289,503)	\$0	(\$8,925,792)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$3,074,505</u>	<u>(\$125,137)</u>	<u>\$0</u>	<u>\$2,949,368</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 24,808
Support Services	113,257
Food Service	5,575
Athletics	13,053
Unallocated	132,810
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 289,503</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2004 were \$73,729 and the School District received a dividend refund of \$2,386.

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

11) GENERAL LONG-TERM DEBT

A) Durant Resolution Package Bonds

Westwood Heights School District issued Durant Resolution Bonds on November 24, 1998 in the amount of \$216,744 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2004 was \$138,470.26. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

B) Notes Payable

Westwood Heights School District is indebted to Citizens Bank for the purchase of a modular building. The note is payable in the amount of \$188,600. The note requires annual payments of \$42,514, including interest at 4.125%. The balance of the note at June 30, 2004 was \$117,700.

C) Annual Principal Requirements

The annual principal requirements for all debt outstanding as of June 30, 2004 are as follows:

	BONDS PAYABLE	NOTES PAYABLE	INTEREST	TOTAL
June 30, 2005	\$0	\$37,658	\$4,855	\$42,513
June 30, 2006	10,491	39,212	8,031	57,734
June 30, 2007	10,988	40,830	5,914	57,732
June 30, 2008	50,659	0	21,167	71,826
June 30, 2009 - 2013	66,332	0	9,768	76,100
<u>TOTAL</u>	<u>\$138,470</u>	<u>\$117,700</u>	<u>\$49,735</u>	<u>\$305,905</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$8,660.

D) Changes in General Long-Term Debt

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004	AMOUNT DUE IN ONE YEAR
<u>Governmental Activities:</u>					
General Obligation Bonds	\$138,470	\$0	\$0	\$138,470	\$0
Contracts Payable	196,215	0	78,515	117,700	37,658
Sick Days Payable	16,042	53,688	0	69,730	0
<u>Total Governmental Activities</u>	<u>\$350,727</u>	<u>\$53,688</u>	<u>\$78,515</u>	<u>\$325,900</u>	<u>\$37,658</u>

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

12) RESTATEMENT OF GOVERNMENT-WIDE NET ASSETS

For the fiscal year ended June 30, 2004, the School District implemented GASB Statement 34. As a result, capital assets and accumulated depreciation were recorded for the first time. Net assets were restated as of July 1, 2003 for the recording of accumulated depreciation. See July 1, 2003 balances illustrated in Note 9.

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2004 consisted of the following:

DUE TO	DUE FROM		
	SPECIAL	CAPITAL	
	REVENUE	PROJECTS	
	FUND	FUND	TOTAL
General Fund	\$54,217	\$249,825	\$304,042

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following:

TRANSFERS TO	TRANSFERS FROM
	GENERAL FUND
Athletics Fund	\$112,708

These transfers were made to subsidize the cost of services for athletics.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

15) DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2003 through September 30, 2003 and 12.99 percent for the period October 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2004, 2003 and 2002 were \$789,053, \$844,536 and \$767,213, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and worker's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

Federal Programs

The District participates in a number of federally assisted grant programs, principal of which are the Nutrition Cluster and School Renovation grants. These programs are subject to program compliance audits. The audit of these programs for and including the year ended June 30, 2004, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

18) SUBSEQUENT EVENTS

The District borrowed \$2,110,000.00 at 1.57% interest per annum on August 20, 2004, from Citizens Bank on a State Aid Anticipation Note.

REQUIRED
SUPPLEMENTARY
INFORMATION

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Local Sources	\$1,709,955	\$1,700,398	\$1,901,411	\$201,013
State Sources	8,296,541	7,635,666	7,750,836	115,170
Federal Sources	956,027	1,245,919	1,139,046	(106,873)
Total Revenues	\$10,962,523	\$10,581,983	\$10,791,293	\$209,310
<u>EXPENDITURES</u>				
Current:				
Instruction	6,355,276	6,120,855	6,166,349	(45,494)
Student Services	430,032	432,182	538,652	(106,470)
Instructional Support	1,131,009	675,846	432,931	242,915
General Administration	264,052	277,991	291,625	(13,634)
School Administration	588,400	540,442	568,381	(27,939)
Business Administration	330,444	245,984	263,722	(17,738)
Operation & Maintenance of Plant	1,152,263	983,534	1,062,714	(79,180)
Transportation	421,329	342,218	366,984	(24,766)
Support Services - Other	264,875	386,793	60,780	326,013
Community Services	87,261	80,251	89,710	(9,459)
Total Expenditures	\$11,024,941	\$10,086,096	\$9,841,848	\$244,248
Excess of Revenues Over Expenditures	(\$62,418)	\$495,887	\$949,445	\$453,558
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	\$48,919	\$465,996	\$833,926	\$367,930
<u>FUND BALANCE - BEGINNING</u>			528,876	
<u>FUND BALANCE - ENDING</u>			\$1,362,802	

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
1999 CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$369,933	\$369,933	\$314,117	(\$55,816)
<u>FUND BALANCE - BEGINNING</u>			<u>369,934</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$684,051</u>	

OTHER SUPPLEMENTAL
INFORMATION

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2004

	Special Revenue Fund	1990 Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$332,128	\$0	\$332,128
Accounts Receivable	3,438	0	3,438
Due From Other Funds	54,217	142,049	196,266
Due From Other Governmental Units	9,270	0	9,270
Inventory	15,485	0	15,485
<u>TOTAL ASSETS</u>	<u>\$414,538</u>	<u>\$142,049</u>	<u>\$556,587</u>
<u>LIABILITIES</u>			
Accounts Payable	\$2,213	\$0	\$2,213
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	15,485	0	15,485
Capital Projects	0	142,049	142,049
Unreserved:			
Undesignated, Reported In:			
Special Revenue Fund	396,840	0	396,840
Total Fund Balances	<u>\$412,325</u>	<u>\$142,049</u>	<u>\$554,374</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$414,538</u>	<u>\$142,049</u>	<u>\$556,587</u>

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Fund	1990 Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$232,939	\$141,576	\$374,515
State Sources	20,464	0	20,464
Federal Sources	395,389	0	395,389
Total Revenues	<u>\$648,792</u>	<u>\$141,576</u>	<u>\$790,368</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from Other Funds	112,708	0	112,708
Total Revenues & Other Financing Sources	<u>\$761,500</u>	<u>\$141,576</u>	<u>\$903,076</u>
<u>EXPENDITURES</u>			
Special Revenue	707,814	0	707,814
Capital Outlay	0	176,605	176,605
Total Expenditures	<u>\$707,814</u>	<u>\$176,605</u>	<u>\$884,419</u>
<u>OTHER FINANCING USES</u>			
Loan Payments & Interest	0	42,514	42,514
Total Expenditures and Other Financing Uses	<u>\$707,814</u>	<u>\$219,119</u>	<u>\$926,933</u>
Net Change in Fund Balance	\$53,686	(\$77,543)	(\$23,857)
<u>NET ASSETS - BEGINNING</u>	<u>358,639</u>	<u>\$219,592</u>	<u>578,231</u>
<u>NET ASSETS - ENDING</u>	<u><u>\$412,325</u></u>	<u><u>\$142,049</u></u>	<u><u>\$554,374</u></u>

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
SPECIAL REVENUE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$332,128	\$0	\$332,128
Accounts Receivable	3,438	0	3,438
Due From Other Funds	54,217	0	54,217
Due From Other Governmental Units	9,270	0	9,270
Inventory	15,485	0	15,485
<u>TOTAL ASSETS</u>	<u>\$414,538</u>	<u>\$0</u>	<u>\$414,538</u>
<u>LIABILITIES</u>			
Accounts Payable	\$2,213	\$0	\$2,213
<u>FUND EQUITY</u>			
Reserved for Inventory	15,485	0	15,485
Unreserved and Undesignated	396,840	0	396,840
Total Fund Equity	\$412,325	\$0	\$412,325
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$414,538</u>	<u>\$0</u>	<u>\$414,538</u>

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$159,011	\$0	\$159,011
Athletic Activities	0	46,044	46,044
Other Local Sources	27,884	0	27,884
Total Local Sources	<u>\$186,895</u>	<u>\$46,044</u>	<u>\$232,939</u>
<u>State Sources</u>			
State Reimbursements	20,464	0	20,464
<u>Federal Sources</u>			
Federal Reimbursements	370,477	0	370,477
Commodities	24,912	0	24,912
Total Federal Sources	<u>\$395,389</u>	<u>\$0</u>	<u>\$395,389</u>
Total Revenues	<u>\$602,748</u>	<u>\$46,044</u>	<u>\$648,792</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	112,708	112,708
Total Revenues and Other Financing Sources	<u>\$602,748</u>	<u>\$158,752</u>	<u>\$761,500</u>
<u>EXPENDITURES</u>			
Salaries - Professional	0	14,823	14,823
Salaries - Non-Professional	186,526	71,367	257,893
Insurances	22,332	0	22,332
Fica, Retirement, Etc.	38,500	27,720	66,220
Other Benefits	542	0	542
Purchased Services	8,749	13,604	22,353
Supplies and Materials	258,655	11,990	270,645
Capital Outlay	32,869	0	32,869
Other	889	19,248	20,137
Total Expenditures	<u>\$549,062</u>	<u>\$158,752</u>	<u>\$707,814</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</u>	<u>\$53,686</u>	<u>\$0</u>	<u>\$53,686</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$358,639</u>	<u>\$0</u>	<u>\$358,639</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$412,325</u>	<u>\$0</u>	<u>\$412,325</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2004

REVENUES FROM
Local Sources

Property Tax Levy	\$1,626,042
Earnings on Investments and Deposits	12,354
Building Rentals	115,335
Medicaid School Based Services	14,542
Transportation - GISD	50
Project Skip	50,331
Long Distance Learning	52,730
Other Local Revenues	30,027
Total Revenues from Local Sources	<u>\$1,901,411</u>

State Sources

State Aid - Foundation - Sec. 20	6,735,553
Headlee	217,870
Durant	21,674
At Risk	507,840
MI School Readiness	191,400
Career Prep Grant - ISD	34,440
FIA Grant - ISD	29,853
Vocational Education	4,974
Driver Education	7,232
Total Revenues from State Sources	<u>\$7,750,836</u>

Federal Sources

Title I	420,717
Title V	17,424
Renovation Grant	28,498
Comprehensive School Reform Demonstration	303,600
IDEA - Preschool	1,797
Technology Literacy Grant	11,639
Improving Teacher Quality	102,745
Special Education - Flow Through	229,720
Medicaid - Administrative Outreach	17,337
PEP-C.M. WhiteTphysical Fitness	4,000
Transition Grant	1,569
Total Revenues from Federal Sources	<u>\$1,139,046</u>
Total Revenues	<u>\$10,791,293</u>

OTHER FINANCING SOURCES

County Special Education Tax	<u>70,419</u>
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TOTAL REVENUES AND OTHER FINANCING SOURCES
\$10,861,712

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTIONBASIC PROGRAMSWestwood Heights Elementary

Salaries - Professional	\$770,144
Salaries - Non-Professional	48,191
Insurances	178,809
Fica, Retirement, Etc.	179,433
Supplies and Materials	30,364
Total Westwood Heights Elementary	<u>\$1,206,941</u>

Hamady Elementary

Salaries - Professional	504,950
Salaries - Non-Professional	31,176
Insurances	161,538
Fica, Retirement, Etc.	137,981
Supplies and Materials	34,820
Total Hamady Elementary	<u>\$870,465</u>

Middle School

Salaries - Professional	417,131
Salaries - Non-Professional	25,785
Insurances	36,838
Fica, Retirement, Etc.	93,171
Supplies and Materials	4,916
Total Middle School	<u>\$577,841</u>

High School

Salaries - Professional	827,819
Salaries - Non-Professional	10,319
Insurances	164,082
Fica, Retirement, Etc.	171,465
Purchased Services	1,139
Supplies and Materials	45,772
Total High School	<u>\$1,220,596</u>

Preschool - Hamady Elementary

Salaries - Professional	111,493
Salaries - Non-Professional	36,241
Insurances	12,603
Fica, Retirement, Etc.	30,400
Supplies and Materials	1,274
Total Preschool - Hamady Elementary	<u>\$192,011</u>

Summer School - Hamady Elem.

Supplies and Materials	<u>3,791</u>
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Total Basic Programs	\$4,071,645
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WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTION (Continued)ADDEED NEEDSSpecial Education

Salaries - Professional	\$553,534
Salaries - Non-Professional	48,438
Insurances	98,251
Fica, Retirement, Etc.	125,409
Supplies and Materials	9,244
Total Special Education	<u>\$834,876</u>

Compensatory Education

Salaries - Professional	519,292
Salaries - Non-Professional	146,030
Insurances	83,399
Fica, Retirement, Etc.	149,592
Purchase Services	174,564
Supplies and Materials	69,593
Total Compensatory Education	<u>\$1,142,470</u>

Vocational Education

Salaries - Professional	69,314
Insurances	12,464
Fica, Retirement, Etc.	14,301
Supplies and Materials	21,279
Total Vocational Education	<u>\$117,358</u>

Total Added Needs	<u>\$2,094,704</u>
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<u>Total Instruction</u>	\$6,166,349
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SUPPORT SERVICESStudent Services

Salaries - Professional	153,277
Salaries - Non-Professional	75,574
Insurances	107,363
Fica, Retirement, Etc.	52,813
Purchased Services	124,971
Supplies and Materials	24,654
Total Student Services	<u>\$538,652</u>

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

SUPPORT SERVICES (Continued)

Instructional Staff

Salaries - Professional	\$204,421
Salaries - Non-Professional	48,348
Insurances	61,578
Fica, Retirement, Etc.	52,028
Purchased Services	37,142
Supplies and Materials	917
Capital Outlay	28,497
Total Instructional Staff	<u>\$432,931</u>

General Administration

Salaries - Professional	104,997
Salaries - Non-Professional	48,547
Insurances	8,175
Fica, Retirement, Etc.	34,187
Purchased Services	59,078
Supplies and Materials	28,256
Other	8,385
Total General Administration	<u>\$291,625</u>

School Administration

Salaries - Professional	266,913
Salaries - Non-Professional	65,615
Insurances	107,421
Fica, Retirement, Etc.	64,630
Purchased Services	48,656
Supplies and Materials	15,146
Total School Administration	<u>\$568,381</u>

Business Office

Salaries - Professional	43,745
Salaries - Non-Professional	69,090
Insurances	24,691
Fica, Retirement, Etc.	22,546
Purchased Services	26,837
Other	76,813
Total Business Office	<u>\$263,722</u>

Operation and Maintenance of Plant

Salaries - Professional	44,234
Salaries - Non-Professional	335,851
Insurances	126,338
Fica, Retirement, Etc.	106,357
Purchased Services	150,787
Supplies and Materials	298,109
Capital Outlay	1,038
Total Operation and Maintenance of Plant	<u>\$1,062,714</u>

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

SUPPORT SERVICES (Continued)

Transportation

Salaries - Professional	\$29,193
Salaries - Non-Professional	151,994
Insurances	73,911
Other Benefits	552
Fica, Retirement, Etc.	40,560
Purchased Services	38,593
Supplies and Materials	32,070
Other	111
Total Transportation	<u>\$366,984</u>

Support Services - Other

Salaries - Non-Professional	18,555
Fica, Retirement, Etc.	726
Purchased Services	41,499
Total Support Services - Other	<u>\$60,780</u>

Total Support Services	\$3,585,789
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COMMUNITY SERVICES

Salaries - Professional	45,246
Insurances	6,364
Fica, Retirement, Etc.	8,749
Purchased Services	16,072
Supplies and Materials	13,279
Total Community Services	<u>\$89,710</u>

<u>Total Expenditures</u>	\$9,841,848
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OTHER FINANCING USES

Transfers to Athletics	112,708
Transfers to Other Districts	73,230
Total Other Financing Uses	<u>\$185,938</u>

<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$10,027,786</u>
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WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2004

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS			DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2003	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004	
Band	\$445	\$267	\$2,203		(\$1,491)
Basketball Club	347	1,197	1,282		262
Central Office Concessions	2,621	21,149	18,062		5,708
Choir	238	2,582	2,042		778
Cultural Exchange (Spanish Club)	584	0	0		584
Drug Free Schools	387	0	0		387
Faculty Scholarship Fund	2,291	1,825	1,456		2,660
Football	300	3,468	3,687		81
Girls Basketball Club	0	1,091	430		661
Graduation Class of 2001	53	0	0		53
Graduation Class of 2003	28	0	0		28
Graduation Class of 2004	372	159	370		161
Graduation Class of 2005	161	862	613		410
Graduation Class of 2006	58	403	0		461
Graduation Class of 2007	425	703	884		244
Graduation Class of 2008	315	55	0		370
Graduation Class of 2009	(60)	0	0		(60)
Graduation Class of 2010	(146)	0	0		(146)
Graduation Class of 2012	103	0	0		103
Graduation Class of 2013	400	0	0		400
Graduation Class of 2014	400	0	0		400
Graduation Class of 2015	454	0	0		454
Graduation Class of 2016	90	0	0		90
Graduation Prior Classes	2,597	0	0		2,597
Graphics Arts	(437)	676	170		69
Hamady Elem. School Improv.	3,962	2,455	2,040		4,377
Hamady Elementary Concessions	367	17,785	13,845		4,307
Hamady Elementary Library	1,783	1,583	1,940		1,426
Hamady Elementary PTO	413	8,051	6,220		2,244
High School Activities	737	3,888	2,751		1,874
High School Cheerleading	494	0	465		29
High School Concessions	428	4,431	4,352		507
High School Industrial Arts	264	0	0		264
High School Library	375	422	0		797
High School Student Council	1,034	617	803		848
High School Student Fees/fines	1,986	4,803	267		6,522
High School Yearbook	10	0	0		10
Japan Trip	985	0	985		0
Subtotal	\$24,864	\$78,472	\$64,867		\$38,469

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN

TRUST AND AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2004

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2003	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004
Junior High Cheerleading	\$34	\$0	\$0	\$34
Junior High Student Council	48	0	0	48
Mackinac Island Trip	(1)	0	0	(1)
Middle School Concessions	261	0	50	211
Middle School Fees/Fines	57	10	10	57
Music Boosters	1,670	0	0	1,670
National Honor Society	693	163	200	656
Project Close-Up	1,243	128	0	1,371
Quiz Bowl	3	0	0	3
Reading is Fundamental	14	1,620	1,563	71
Scholarship - Thrower, Davis	3,837	46	1,000	2,883
Scholarship Club	166	1,145	1,300	11
Scholarship - Linda Flores	0	1,000	1,000	0
Softball	0	109	90	19
Westwood Elem Library	1,942	4,969	6,263	648
Westwood Elem Misc (PTO)	689	21,598	20,476	1,811
Westwood Elem School Improv	900	2,058	1,886	1,072
Westwood Elem. Concession	(446)	446	0	0
Westwood Heights Senior Citizens	123	12	0	135
<u>TOTALS</u>	<u>\$36,097</u>	<u>\$111,776</u>	<u>\$98,705</u>	<u>\$49,168</u>

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2004

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$216,744

1998 DURANT RESOLUTION PACKAGE BONDS

	PRINCIPAL REQUIREMENT	INTEREST RATE	INTEREST REQUIREMENT	TOTAL FISCAL YEAR REQUIREMENTS
<u>PAYMENT DATE - MAY 15TH</u>				
2005	\$0	4.761353%	\$0	\$0
2006	10,491	4.761353%	4,729	15,220
2007	10,988	4.761353%	4,230	15,218
2008	50,659	4.761353%	21,167	71,826
2009	12,062	4.761353%	3,158	15,220
2010	12,636	4.761353%	2,584	15,220
2011	13,238	4.761353%	1,982	15,220
2012	13,868	4.761353%	1,352	15,220
2013	14,528	4.761353%	692	15,220
<u>TOTAL</u>	<u>\$138,470</u>		<u>\$39,894</u>	<u>\$178,364</u>

WESTWOOD HEIGHTS SCHOOLS

FLINT, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2004

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Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

September 15, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Westwood Heights Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Westwood Heights Schools, as of and for the year ended June 30, 2004, which collectively comprise the Westwood Heights Schools' basic financial statements and have issued our report thereon dated September 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Westwood Heights Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Westwood Heights Schools, in a separate letter dated September 15, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Westwood Heights Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Westwood Heights Schools, in a separate letter dated September 15, 2004.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf PC
LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

September 15, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Westwood Heights Schools

Compliance

We have audited the compliance of Westwood Heights Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Westwood Heights Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Westwood Heights Schools' management. Our responsibility is to express an opinion on Westwood Heights Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Westwood Heights Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Westwood Heights Schools' compliance with those requirements.

In our opinion, Westwood Heights Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2004-1 and 2004-2.

Internal Control Over Compliance

The management of Westwood Heights Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Westwood Heights Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies	84.010		
ESEA Title I - Regular (03-04)		041530-0304	\$478,673
Innovative Education Program Strategies	84.298		
ESEA Title V (03-04)		040250-0304	17,424
Technology Literacy Challenge Grants	84.318		
Technology Literacy Challenge Fund Administration (03-04)		044290-0304	11,639
Comprehensive School Reform Demonstration	84.332		
Comprehensive School Reform Demonstration (03-04)		031870-0304	287,189
Comprehensive School Reform Demonstration (02-03)		021870-0203	224,663
			<u>\$511,852</u>
School Renovation, IDEA & Technology Program	84.352		
School Renovation, IDEA & Technology Program (03-04)		022410-2BX	5,295
School Renovation, IDEA & Technology Program (02-03)		022410-2B	131,049
Total School Renovation, IDEA & Technology Program			<u>\$136,344</u>
Improving Teacher Quality	84.367		
Improving Teacher Quality (02-03)		030520-0203	96,282
Improving Teacher Quality (03-04)		040520-0304	102,744
Total Improving Teacher Quality			<u>\$199,026</u>
Total Passed Through Michigan Department of Education			<u>\$1,354,958</u>
Passed Through Genesee Intermediate School District:			
Special Education - Grants to States	84.027		
IDEA Flow Through (03-04)		040450-0304	229,720
Transition Services (03-04)		040490-TS	1,569
Total Special Education - Grants to States			<u>\$231,289</u>
Special Education - Preschool Grants	84.173		
IDEA Preschool Incentive (03-04)		040460-0304	1,797
PEP - C.M. White Physical Fitness	84.215F		
PEP - C.M. White Physical Fitness		Q215F031137	4,000
Total Passed Through Genesee Intermediate School District			<u>\$237,086</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$1,592,044</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$0	\$0	\$420,717	\$0	\$296,978	\$123,739
0	0	17,424	0	17,424	0
0	0	11,639	0	11,639	0
0	0	277,590	0	218,780	58,810
0	198,653	26,010	0	26,010	0
\$0	\$198,653	\$303,600	\$0	\$244,790	\$58,810
0	0	5,295	0	5,295	0
(5,084)	112,930	23,203	0	18,119	0
(\$5,084)	\$112,930	\$28,498	\$0	\$23,414	\$0
0	96,281	1	0	1	0
0	0	102,744	0	90,941	11,803
\$0	\$96,281	\$102,745	\$0	\$90,942	\$11,803
(\$5,084)	\$407,864	\$884,623	\$0	\$685,187	\$194,352
0	0	229,720	0	215,854	13,866
0	0	1,569	0	1,569	0
\$0	\$0	\$231,289	\$0	\$217,423	\$13,866
0	0	1,797	0	1,797	0
0	0	4,000	0	4,000	0
\$0	\$0	\$237,086	\$0	\$223,220	\$13,866
(\$5,084)	\$407,864	\$1,121,709	\$0	\$908,407	\$208,218

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	\$21,897
Bonus Commodities		N/A	3,015
Total Commodities			<u>\$24,912</u>
School Breakfast Program	10.553	N/A	94,455
National School Lunch Program	10.555	N/A	274,544
Special Milk Program for Children	10.556	N/A	<u>664</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			<u>\$394,575</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass Through Genesee Intermediate School District			
Medicaid - Administrative Outreach	93.778	N/A	<u>17,337</u>
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$2,003,956</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$0	\$0	\$21,897	\$0	\$21,897	\$0
0	0	3,015	0	3,015	0
\$0	\$0	\$24,912	\$0	\$24,912	\$0
1,882	0	95,262	0	94,455	2,689
6,575	0	274,551	0	274,544	6,582
0	0	664	0	664	0
\$8,457	\$0	\$395,389	\$0	\$394,575	\$9,271
0	0	17,337	0	17,337	0
\$3,373	\$407,864	\$1,534,435	\$0	\$1,320,319	\$217,489

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS

\$1,534,435

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS

General Fund \$1,139,046

School Service Fund 395,389

TOTAL \$1,534,435

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

WESTWOOD HEIGHTS SCHOOL DISTRICT - FLINT, MICHIGAN
RECONCILIATION OF FORM R 7120 "GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Current Payments Per the Grant Section Auditor's Report (Form R 7120)			\$1,062,082
<u>Less:</u> State Funded Grants			
Driver Education			(7,232)
<u>Add:</u> Grants Passed Through Genesee Intermediate School District:			
Special Education - State Grants (CFDA 84.027)	\$217,423		
Special Education - Preschool Grants (CFDA 84.173)	1,797		
PEP - C.M. White Physical Fitness (CFDA 84.251F)	4,000		
Medicaid - Administrative Outreach (CFDA 93.778)	17,337		
Total Passed Through Genesee Intermediate School District			240,557
Entitlement and Bonus Commodities (CFDA 10.550)			24,912
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF</u> <u>EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$1,320,319</u>

WESTWOOD HEIGHTS SCHOOLS- FLINT, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☒ Yes ☐ No

Identification of major programs:

CFDA Number(s)
10.553/10.555/10.556
84.332

Name of Federal Program or Cluster
Nutrition Cluster
Comprehensive School Reform Demonstration

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Qualified as low-risk auditee?

☒ Yes ☐ No

WESTWOOD HEIGHTS SCHOOLS- FLINT, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

2004-1) Nutrition Cluster (CFDA #10.553,10.555,10.556) and Comprehensive School Reform (CFDA #84.332)

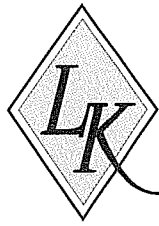
<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District could not locate invoices that were selected for testing of the federal program.
<u>Criteria:</u>	The Federal cost circulars require that all costs to a federal program be substantiated.
<u>Effect of Condition:</u>	Expenses included on these invoices that were charged to the program could be diasallowed.
<u>Cause of Condition:</u>	The cause of the condition was misplacement of the invoice or a lack of obtaining an invoice.
<u>Recommendation:</u>	The District should not pay any bills without proper documentation and all invoices being paid should be kept in a centralized place.
<u>Management Response:</u>	The District will require timely filing of all documentation for payments.
<u>Questioned Cost:</u>	\$256 – Nutrition, \$167 – Comprehensive School Reform.

2004-1) Comprehensive School Reform (CFDA #84.332)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District did not expend the grant in accordance with the approved grant budgets.
<u>Criteria:</u>	The grant was approved at the building level as allocated in the approved grant application.
<u>Effect of Condition:</u>	Expenses included in the schools that were over budget could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of monitoring of the actual expenditures to the building budgets instead of the overall budget and not amending the budgets when necessary.
<u>Recommendation:</u>	The District should monitor the actual expenditures to the budget line items and request budget amendments when necessary.
<u>Management Response:</u>	The District will manage the budgets on a building basis.
<u>Questioned Cost:</u>	Unknown.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings.



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

September 15, 2004

To the Board of Education of
Westwood Heights School District

In planning and performing our audit of the financial statements of Westwood Heights School District for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Westwood Heights School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The following items of immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting
P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2004, Westwood Heights Schools incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.
2. Trust and Agency Accounts
 - A. At June 30, 2004, several of the activity accounts had deficit balances. Activity accounts are only permitted to expend the funds they have taken in. They are not allowed to borrow from other activities thus creating a deficit balance.
 - B. Unclaimed deposits – the deposits that make up this account should be reconciled on a monthly basis, and at the end of the month the balance should be zero.
3. Food Service
 - A. Segregation of Duties
A small number of persons have the primary responsibility for performing most of the accounting and financial duties. As a result, some of the aspects of internal accounting control which rely upon adequate segregation of duties are missing in your District. We recognize that your District is not large enough to make employment of additional personnel solely for the purpose of segregating incompatible duties practical from a financial standpoint. The supervision and periodic review procedures currently in place help mitigate the lack of proper segregation of duties and should be continued.
 - B. We recommend implementing a purchasing policy for the food service department that requires purchase processes and procedures approval.



Westwood Heights School District

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4. Checks

All checks being issued should have the proper documentation attached, such as the purchase order and invoice.

5. Time Certifications

The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".

The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.

FUTURE ISSUES

1. Chart of Accounts

As you may be aware of, the Center for Educational Performance and Information (CEPI) has implemented a new upload application/database for financial reporting for districts. This new application/database is called the Financial Information Database (FID). For the fiscal year 2003 – 2004 you will be required to submit your financial data via the FID. The EDN/Form B submission process has been eliminated and is no longer available. The due date for the 2003 – 2004 FID submission is November 15, 2004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Westwood Heights School District's Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Lewis + Knopf PC
LEWIS & KNOPF, P.C.
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